

Message Text

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C O N F I D E N T I A L KINSHASA 1551

E.O. 11652: GDS

TAGS: EFIN, EAID, CG

SUBJECT: ECONOMIC STABILIZATION AND INTERNATIONAL ASSISTANCE

1. SUMMARY: PRINCIPAL ZAIRIAN MINISTERS CONCERNED WITH THE ECONOMY, HEADED BY BISENGIMANA, OUTLINED STABILIZATION AND ECONOMIC REFORM PLANS TO BE TAKEN IN CONSULTATION WITH IMF DURING GROUP MEETING WITH UNDERSECRETARY ROBINSON SATURDAY. ROBINSON COMMENDED CLOSE COLLABORATION WITH IMF AND ENLIGHTENED APPROACH NOW BEING TAKEN TOWARD SELECTIVE RELIANCE ON FOREIGN MANAGEMENT AND EQUITY INVESTMENT. HE REVIEWED THE RANGE OF MULTILATERAL AND BILATERAL MEASURES TAKEN BY INTERNATIONAL COMMUNITY TO SUPPORT SERIOUS LDC ECONOMIC STABILIZATION PROGRAMS.

2. FULL MEMBERSHIP OF ZAIRE STABILIZATION COMMITTEE BRIEFED ROBINSON PARTY ON ZAIRE'S ECONOMIC DISTRESS, FOCUSING PRINCIPALLY ON COST OF COPPER PRICE DECLINE, INDUSTRIAL GOODS INFLATION AFFECTING IMPORT BURDEN, CONSEQUENCE OF SHORTAGES IN PRODUCER AND CONSUMER GOODS IN ZAIRE ECONOMY AND POTENTIALLY CATASTROPHIC EFFECT OF INTERRUPTION OF RAILWAY SERVICE THROUGH ANGOLA FOR SHABA MINERAL AND DEVELOPMENT OPERATIONS.

3. BISENGIMANA AND OTHER MINISTERS AND GOVERNOR OF CENTRAL BANK OUTLINED COMPREHENSIVE STABILIZATION
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STRATEGY DESIGNED TO RESTORE EQUILIBRIUM IN BALANCE OF

PAYMENTS, PUBLIC FINANCE, AND INTERNAL SUPPLY/DEMAND.
ALL CONVENTIONAL STABILIZATION MEASURE EVIDENTLY TO BE
USED. PROGRAM DEPENDS ON IMF-LED INTERNATIONAL DEBT
RESCHEDULING, EARLY USE OF COMPENSATORY FINANCE DRAWINGS
FROM IMF TO INJECT FRESH IMPORTS INTO MARKET, UNDEFINED
AMOUNT OF ADDITIONAL FINANCIAL AID FROM MULTILATERAL AND
BILATERAL SOURCES, AND MORE AGGRESSIVE MEASURES TO
INCREASE TAX REVENUES AND REDUCE PUBLIC EXPENDITURES.

4. DETAILS OF STABILIZATION PROGRAM WHERE TO BE CLARIFIED
IN SATURDAY AFTERNOON SESSION AT CENTRAL BANK.

5. UNDERSECRETARY ROBINSON COMPLIMENTED THE APPROACH
TAKEN BY THE GOVERNMENT IN ESTABLISHING STABILIZATION
COMMITTEE AND IN WORKING WITH IMF, BOTH OF WHICH SHOULD
STRENGTHEN INTERNATIONAL CONFIDENCE IN ZAIRE'S ECONOMIC
EFFORTS. HE APPLAUDED CORRECTIVE MEASURES RECENTLY TAKEN;
TO RE-INTRODUCING FOREIGN MANAGEMENT AND EQUITY
PARTICIPATION IN CERTAIN PRIVATE ENTERPRISES. HE OUTLINED
EVOLUTION OF MULTILATERAL FACILITES FOR FINANCIAL SUPPORT
OF LDCS SUFFERING EXTERNAL ACCOUNT DETERIORATION, NEW OR
STRENGTHENED MULTILATERAL DEVELOPMENT FINANCE PROGRAMS, AND
COMMODITY SCHEMES BEING DEVELOPED THROUGH CIEC, COMMISSION
DISCUSSIONS AND UNCTAD.

6. ZAIRE REPRESENTATIVES DID NOT REQUEST INCREASE IN US
BILATERAL AID TO SUPPORT STABILIZATION MEASURES BUT
GENERALLY EMPHASIZED IMPORTANCE OF US INITIATIVE, WHETHER
ON MULTILATERAL OR BILATERAL FRONTS, TO ZAIRE'S SUCCESS
IN DEALING WITH ITS ECONOMIC PROBLEMS.
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